

HOUSE BILL 3449  
By Sargent

AN ACT to amend Tennessee Code Annotated,  
Title 8, Chapter 50, relative to to the  
creation of investment trusts for certain  
post employment benefits offered by  
governmental entities.

WHEREAS, the Governmental Accounting Standards Board issued Statements 43 and 45, which set forth standards on accounting and reporting for post employment benefits (other than pensions) by governmental entities; and

WHEREAS, these new standards will require political subdivisions of the State of Tennessee to account for such post employment benefits on an actuarial basis during an employee's career rather than on a pay-as-you-go basis during retirement; and

WHEREAS, it is beneficial to the State to assist Tennessee political subdivisions that offer other post employment benefits by authorizing such subdivisions to create an investment trust whereby the political subdivisions may begin financing those benefits in advance; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 8, Chapter 50, is amended by adding a new part thereto as follows:

8-50-1201. Short title. This part shall be known and may be cited as the "Other Post Employment Benefit Investment Trust Act of 2006".

8-50-1202. Definitions. As used in this part, unless the context otherwise requires:

(1) "State Funding Board" or "Funding Board" means the board created pursuant to § 9-9-101;

(2) "Other post employment benefits" or "post employment benefits" means non-pension benefits paid on behalf of former employees or the former employees' beneficiaries after separation from service. Such benefits may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability;

(3) "Political subdivision" means any Tennessee local governmental entity including, but not limited to, any municipality, metropolitan government, county, utility district, school district, public building authority, and development district created and existing pursuant to the laws of Tennessee, or any instrumentality of government created by any one (1) or more of the named local governmental entities or by an act of the general assembly.

8-50-1203. Establishment of Trust.

(a) A political subdivision as defined in § 8-50-1202 (3) may by resolution legally adopted and approved by its chief governing body establish an investment trust for the purpose of pre-funding other post employment benefits accrued by employees of the political subdivision, to be paid as they come due in accordance with the arrangements between the employers, the plan members and their beneficiaries. This authorization shall be subject to the following conditions:

(1) The chief governing body must establish a written plan of the post employment benefits provided;

(2) The investment committee of the political subdivision must adopt, in writing, an investment policy authorizing how assets in the trust may be invested;

(3) The trust must conform to all applicable laws, rules and regulations of the internal revenue service, if any; and

(4) The trust document, the written plan of benefits, and the investment policy as well as any other information or documentation as determined by the funding board must be submitted to the state funding board for approval.

8-50-1204. Trust Conditions.

(a) The assets of any trust created under this part shall be irrevocable, and shall be preserved, invested and expended solely pursuant to and for the purposes of this part and shall not be loaned or otherwise transferred or used for any other purpose. The assets of the trust shall be expended solely to:

(1) Make payments for other post employment benefits pursuant to and in accordance with terms of the political subdivision's respective post employment benefit plan; and

(2) Pay the cost of administering the trust.

(b) Any investment trust so created shall have the powers, privileges and immunities of a corporation and all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held in trust for the purpose for which received.

(c) Notwithstanding any law to the contrary, all assets, income and distributions of the investment trust shall be protected against the claims of creditors of the political subdivisions, plan administrators, and plan participants, and shall not be subject to execution, attachment, garnishment, the operation of bankruptcy, the insolvency laws or other process whatsoever, nor shall any assignment thereof be enforceable in any court.

8-50-1205. Powers and duties. In addition to the powers granted by any other provisions of this part, the chief governing body of a political subdivision that establishes

an investment trust hereunder shall have the powers necessary or convenient to carry out the purposes and provisions of this part and the purposes and objectives of the investment trust including, but not limited to, the following express powers:

(1) Invest any funds of the trust in any instrument, obligation, security, or property that constitutes legal investments as provided in the investment policy adopted pursuant to § 8-50-1203(a)(2);

(2) Contract for the provision of all or any part of the services necessary for the management and operation of the investment trust;

(3) Contract with financial consultants, auditors, and other consultants as necessary to carry out its responsibilities under this part;

(4) Contract with an actuary or actuaries in determining the level of funding necessary by that political subdivision to fund the other post employment benefits offered by the subdivision;

(5) Prepare annual financial reports, including financial statements, following the close of each fiscal year relative to the activities of the trust. Such statements and reports shall contain such information as shall be prescribed by the board and be prepared in accordance with the governmental accounting standards board; and

(6) Upon the request of the state funding board, file the annual report and financial statements with the chair of the funding board. The report and statements shall be filed with the chair of the board within ninety (90) calendar days from the date of the request, unless the chair extends such time in writing.

8-50-1206. Audit. The annual report, including financial statements, all books, accounts and financial records of any trust created hereunder shall be subject to audit by the comptroller of the treasury. Any political subdivision maintaining a trust under this part may, with the prior approval of the comptroller of the treasury, engage licensed

independent public accountants to perform the audits. The audit contract between the political subdivision and the independent public accountant shall be on contract forms prescribed by the comptroller of the treasury. The political subdivision is responsible for reimbursement of the costs of audits prepared by the comptroller of the treasury and the payment of fees for audits prepared by licensed independent public accountants.

8-50-1207. Scope of Part. Nothing in this part shall be construed to define or otherwise grant any rights or privileges to other post employment benefits. Such rights and privileges, if any, shall be governed by the terms of the political subdivisions' respective post employment benefit plans.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.